

Investment Objective

Long-term total return = Russell 1000 Value index plus 200 bps to 400 bps

Strategy Highlights

River Road's Select Value (SV) Strategy is a concentrated, high conviction value strategy comprised of companies that exhibit attractive business models, shareholder-oriented management, and financial strength.

The Select Value Strategy's investment universe formally consists of all North American listed equity securities with market capitalizations greater than \$2 B at the time of initial purchase.

Portfolio Managers



Daniel R. Johnson, CFA, CPA

14 years of experience;
managed Portfolio since inception

University of Kentucky, BS
University of Kentucky, Macc

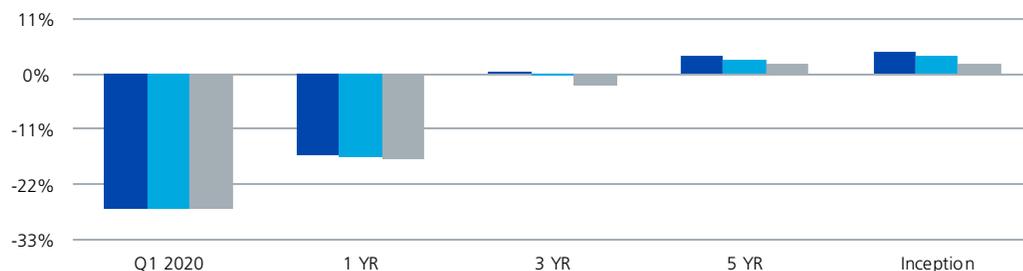


Matt W. Moran, CFA

20 years of experience;
managed Portfolio since inception

Bradley University, BS
University of Chicago, MBA

Performance Summary



	Q1 2020	1 YR	3 YR	5 YR	Inception
SV Composite - Gross	-26.74%	-16.29%	0.13%	3.51%	4.20%
SV Composite - Net	-26.79%	-16.60%	-0.43%	2.89%	3.58%
Russell 1000 Value	-26.73%	-17.17%	-2.18%	1.90%	2.12%
Out / Underperformance	-0.01%	+0.88%	+2.31%	+1.61%	+2.08%

Performance is shown gross and net of fees. Inception date: November 1, 2014. Out/underperformance compares gross performance and the index. Source: River Road Asset Management LLC and Russell Investment Group. Past performance is no guarantee of future results. Please see appendix for the disclosure presentation.

Portfolio Review

It was a quarter for the record books, but not the type of records investors like to see broken. The path of COVID-19 began on December 31 with a small cluster of acute respiratory illness cases in Wuhan, China. By mid-March, it had **shut-in at least 20% of humanity, freezing large parts of the global economy**. Additionally, amidst the developing economic crisis, a production dispute between OPEC and Russia resulted in **oil prices (WTI) tumbling to \$20/bbl – a -68% drop from their year-to-date high**. Consequently, **the S&P 500 plunged into its steepest bear market correction on record**, the 10-year Treasury yield dropped to its lowest level in history, and the VIX soared to an all-time high. **The Federal Reserve and Congress responded with an unprecedented \$6 - \$7 T in stimulus**, sparking a sharp rally into quarter end and the first half of April.

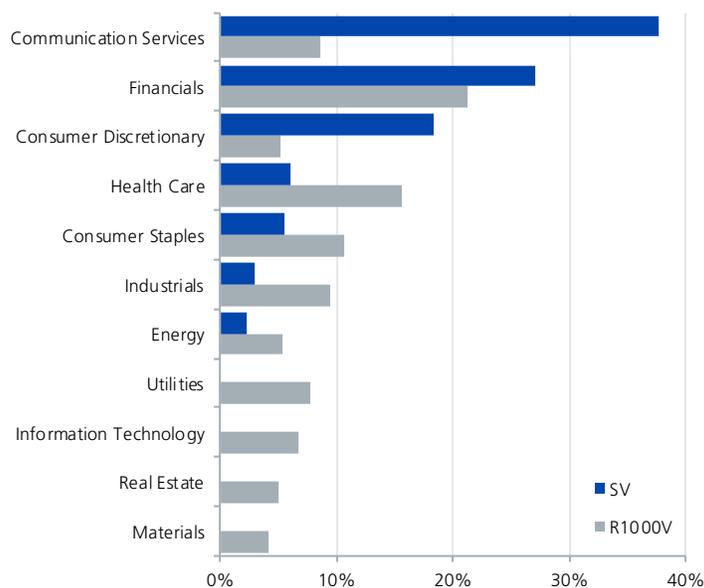
For the quarter, **the S&P 500 returned -19.60%, its worst Q1 on record. The Russell 2000 returned -30.61%, its worst quarter on record since 1979 and the fourth worst for small caps since 1926** – only the Great Depression saw worse returns. Unfortunately, **cheaper was not better in Q1** with growth significantly outperforming value across all market caps. In Q1, the Russell 1000 Growth declined **-14.10%**, a staggering **+1,263 bps** ahead of the Russell 1000 Value. From a quality perspective, the top quartile ROE stocks in the Russell 1000 Value returned **-19.71%** for Q1, **+1,034 bps** ahead of the lowest ROE stocks (according to Style Analytics).

The top contributing holding in the Portfolio during Q1 was **Starbucks Corp. (SBUX)** (our largest new purchase during the quarter), a global roaster and retailer of coffee and other beverages. We view highly addictive, daily 'little pleasures' as high conviction business models that we love to own, but rarely go on sale. **We believe the COVID-19 pandemic allowed us to pay an ordinary multiple for a financially strong long-term grower with an exceptional ROIC**. The stock sold off along with the market and then bounced as the company announced that more than 90% of its Chinese store base had been re-opened. While many companies are announcing dividend and buyback suspensions, **SBUX surprised the market and demonstrated its financial strength and long-term confidence in its business with its commitment to continue buying back stock this year**. We admire the firm's solid balance sheet and ability to leverage its mobile offerings, drive thru, and partnership with Uber Eats to survive this crisis.

The largest negative contributing holding in Q1 was **Delta Air Lines Inc. (DAL)**, the third-largest airline carrier in the world and the #2 carrier in the United States (measured by traffic). Before the COVID-19 pandemic, the airline industry appeared well positioned to benefit from secular tailwinds as an increasing number of people fly more and the industry consolidates. **The top four carriers control ~80% of industry capacity, up from ~55% 15 years ago (or before industry consolidation), which has resulted in improved pricing, higher margins, and attractive ROIC**. The company's loyalty card, which generates revenue when cardholders spend on everyday purchases, is the high-margin, capital-light boost for cash generation. Consumer spending should smooth out the cash flows during recessionary periods and the contract with American Express demonstrated the growing airline leverage over banks. With a history of significant buybacks and dividend hikes, **we expected our per-share assessed valuation to rise due to the accretive nature of low-multiple buybacks**. We entered and exited DAL during Q1 as our thesis imploded in the space of one quarter. **The COVID-19 pandemic has created a crisis for airline carriers**. Mandatory and voluntary travel restrictions enacted to reduce the spread of the virus have **decimated passenger air travel**. Despite having one of the best balance sheets amongst the top four carriers, **Delta was forced to take drastic measures to conserve capital, including cutting capacity by roughly 70% of available seat miles, suspending its dividend, drawing on available credit sources**, delaying all non-essential projects, and cutting payroll. We think the medium-term outlook for airlines is too murky to value and worry any sort of government-led bailout may not leave much for shareholders.

We believe **portfolio positioning remains a highly attractive balance of value, quality, growth AND financial strength**. According to FactSet, the Portfolio's valuation (as measured by EV/EBITDA) is **13.6x versus 12.2x** for the Russell 1000 Value benchmark and **15.3x** for Russell 1000. Quality, as measured by five-year average return on equity, is **16.9% versus 13.5%** for the benchmark. The Portfolio's expected long-term growth (as measured by published long-term estimates) is a healthy **+10.1% versus just +7.1% for the benchmark**. Finally, financial strength, as measured by the net leverage ratio, is **1.6x versus 2.5x** for the benchmark.

Sector Weightings



Portfolio Contribution

Top Contributors		Avg Wgt	Contrib
SBUX	Starbucks Corp.	0.62%	+0.76%
NTDOY	Nintendo Co. Ltd. Un-sponsored ADR	0.31%	+0.30%
TJX	TJX Companies Inc.	0.34%	+0.22%
NLSN	Nielsen Holdings PLC	0.67%	+0.05%
USB	U.S. Bancorp	0.45%	-0.02%
Bottom Contributors		Avg Wgt	Contrib
DAL	Delta Air Lines Inc.	1.85%	-2.71%
MPC	Marathon Petroleum Corp.	3.67%	-2.52%
LKQ	LKQ Corp.	4.64%	-2.52%
CMCSA	Comcast Corp. (CI A)	8.31%	-2.22%
LAZ	Lazard Ltd. (CI A)	4.39%	-2.12%

GICS sector and market cap breakdowns reflect percent of equity; stocks without a reported sector or market cap (e.g. corporate reorganizations, mergers, acquisitions, dissolutions) are not presented. ¹EBITDA exclude banks, thrifts, and insurers. ²Excludes negative earnings. ³Risk characteristics based on trailing 60 month gross of fee composite performance. Source: River Road Asset Management LLC, FactSet Research Systems Inc., and Russell Investment Group.

Portfolio contribution calculated for the Q1 2020 period. For the purpose of assessing top and bottom contributors, the contribution of child securities is aggregated with that of the parent for corporate actions that occurred during the most recent calendar quarter. The holdings identified do not represent all of the securities purchased, sold, or recommended. To receive information regarding the methodology for calculating the top/bottom contributors or a list showing every holding's contribution to the overall Composite and/or representative portfolio performance contact RRAMCompliance@riverroadam.com. Past performance is no guarantee of future results.

Representative Portfolios: Unless otherwise noted as Composite, the information presented is based on a representative portfolio. If no single representative portfolio is available to represent the Strategy since inception, different representative portfolios and/or the composite are used for different periods to create a continuous representative portfolio. The representative portfolio is selected by the firm as a representative account that is deemed to best represent this management style using a pre-defined, objective set of criteria. All representative portfolio data is shown as supplemental information to the Composite presentation. Each client portfolio is individually managed and may vary from the information shown for the representative portfolio.

River Road Asset Management, LLC ("RRAM") is a registered investment adviser formed in April 2005 and is majority owned by Affiliated Managers Group, Inc. Registration of an investment adviser does not imply a certain level of skill or training. This presentation may be presented by an employee of Affiliated Managers Group, Inc., AMG Funds, or another AMG entity, which are affiliates of RRAM. RRAM claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of Composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting RRAMCompliance@riverroadam.com.

The Select Value Composite contains fully discretionary accounts that seek long-term capital appreciation by investing primarily in equity securities that trade at a discount to our valuation as determined using RRAM's proprietary Absolute Value® approach. The composite may also be invested in Real Estate Investment Trusts (REITs), publicly traded partnerships, investment companies, convertible securities, and foreign stocks. The official benchmark for the Composite is the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies that are considered more value oriented relative to the overall market as defined by Russell's leading style methodology. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. All other indices are shown for additional information only. The U.S. dollar is the currency used to express performance and includes the reinvestment of income. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains. All Composite performance is after the deduction of trading costs. Net of fee performance is calculated using actual management fees. For periods including non-fee paying accounts, net was calculated for those accounts by applying the highest fee schedule effective at that time.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in our portfolio at the time you receive this report or that securities sold have not been repurchased. Characteristics and sector weightings of our portfolio are shown and may not be indicative of this strategy's current or future investments. It should not be assumed that any of the holdings discussed herein were or will be profitable or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. This information is shown as supplemental information only and complements the full disclosure presentation.

Sector, Industry Group, Industry, or Sub-industry group levels are determined at the beginning of each quarter according to the Global Industry Classification Standard ("GICS"), developed and exclusively owned by MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P"), unless otherwise stated that they have been reclassified or classified by RRAM. Reclassifications/classifications by RRAM are not supported by S&P or MSCI. All GICS data is provided "As Is" with no warranties. RRAM may classify securities that are not automatically classified by MSCI and S&P.

Portfolio and index characteristics such as EV/EBITDA are based on companies' most recent filings as of this report date (values for many companies may be as of the prior period). Most company share-related characteristics exclude outliers. Outlier exclusion methods include interquartile and inverse interquartile; the universe for determining outliers is the Russell 3000. For more information, please contact RRAM.

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Characteristics

	SV	R1000V
Number of Holdings	21	765
EV / EBITDA ¹	13.6	12.2
Price / Earnings ²	12.9	12.7
Price / Book	1.99	1.57
Price / Cash Flow	11.0	10.8
ROE (5 YR Avg)	16.9	13.5
EPS Growth (5 YR)	11.6	7.0
LT Growth Estimate	10.1	7.1
Annualized Standard Deviation ³	15.91	14.71
Jensen Alpha ³	1.58	
Beta ³	1.03	

Market Capitalization Breakdown

	SV	R1000V
Wtd Median Market Cap	\$55.24 B	\$57.25 B
Wtd Avg Market Cap	\$163.50 B	\$105.42 B
Large/Mega: > \$25 B	71.1%	68.0%
Mid: \$5 B - \$25 B	24.9%	25.8%
Micro/Small: < \$5 B	4.0%	6.2%

Top 10 Portfolio Holdings

Symbol	Company	% of Port
BRK.B	Berkshire Hathaway Inc. (CI B)	9.11%
CMCSA	Comcast Corp. (CI A)	8.23%
GOOG	Alphabet Inc. (CI C)	6.13%
UNH	UnitedHealth Group Inc.	5.85%
PGR	Progressive Corp.	5.73%
SBUX	Starbucks Corp.	5.41%
NSRGY	Nestle S.A. Sponsored ADR	5.38%
LSXMK	Liberty Media Corp. Series C Liberty SiriusXM	5.33%
LBRDK	Liberty Broadband Corp. (CI C)	5.14%
NTDOY	Nintendo Co. Ltd. Un-sponsored ADR	4.60%

